

30 January 2019

Mr Joe Dimasi
Tasmanian Economic Regulator
Office of the Tasmanian Economic Regulator
GPO Box 770
HOBART TAS 7001

Dear Mr Dimasi

Draft Guideline - Standing Offer Price Approval Process

Aurora Energy has reviewed the Tasmanian Economic Regulator's (Regulator) Draft Guideline - Standing Offer Price Approval Process (Guideline) released for consultation on 21 December 2018. The amendments to the Guideline are necessary in light of the State Government's policy to apply a uniform price cap to electricity prices, limiting them to no more than Consumer Price Index increases until 30 June 2021.

Aurora Energy has one material point of feedback concerning the Notional Tariff Base (NTB). Currently, the NTB is based on customer numbers reported annually to the Australian Energy Regulator on 31 March preceding the resetting of prices at 1 July. With the impending transition of its current 22,000 Aurora Pay As You Go (APAYG) customers onto standing offer tariffs, it is Aurora Energy's view that there is merit in moving to a forecast approach for the NTB.

Prior to the 2016 Retail Price Determination, the forecast numbers on which the annual price reset was based were provided on a forecast basis. Whilst Aurora Energy appreciates the intent of choosing a publicly reportable number this approach does not take into account potential changes to the customer numbers that can have a large impact on price reset outcomes.

The transition of APAYG customers onto residential tariff 93 or the tariff 31/41 combination will see Aurora Energy recover less of its retail allowances than it is entitled under the Pricing Determination. Additionally, by not incorporating transition of APAYG customers into NMR modelling, this will have a substantial impact on under-recoveries in the following period by understating the customer numbers and associated costs. This would result in an unnecessarily inflated baseline price increase in the following period.

Therefore, it is Aurora Energy's recommendation that a forecast approach for the NTB be adopted for the two additional pricing periods of 2016 Retail Price Determination. If you have any questions regarding this submission please contact Aurora Energy's Regulatory and Policy Manager, Hayden Moore, at hayden.moore@auroraenergy.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read "Kane Ingham".

Kane Ingham
General Manager Commercial Services